

Message Text

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ACTION NEA-10

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P R 291029Z OCT 75
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC PRIORITY 3489
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LIMITED OFFICIAL USE ABU DHABI 2186

DECONTROL UPON RECEIPT

COMMERCE FOR CAGNE

E.O. 11652: N/A

TAGS: BPRO, TC

SUBJ: OFFER TO CHANGE MANAGEMENT OF LOCAL PEPSI COLA PLANT

1. THE PEPSI COLA OPERATION IN ABU DHABI HAS FALLEN ON HARD TIMES. ESTABLISHED IN 1969 IN ABU DHABI, PRIOR TO FORMATPMN OF UAE, PEPSI WAS ONLY CARBONATED SOFT DRINK ALLOWED TO BE PRODUCED AND SOLD IN THE EMIRATE. MONOPOLY ON SALES WAS LOST IN 1972 BUT PEPSI STILL ONLY PRODUCER IN ABU DHABI. ACCORDING TO LOCAL COMMERCIAL SOURCES, SALES HAVE SUFFERED NOT ONLY DUE TO COMPETITION FROM CANADA DRY, SEVEN-UP AND OTHER (BOTTLED IN DUBAI) BUT ALSO BECAUSE OF POOR MANAGEMENT. IN MID-1974, COMPLAINTS ABOUT POOR QUALITY OF PEPSI SOFT DRINK WERE BANDIED ABOUT BUT ONLY WITHIN LAST TWO MONTHS HAS HEALTH AUTHORITIES TAKEN ANY ACTION. LOCALLY BOTTLED PEPSI WAS FOUND TO HAVE LARGE QUANTITIES OF SAND AND CHEMICAL DEPOSITS (NO BACTERIA). AS RESULT PEPSI OPERATION HAS BEEN SHUT DOWN FOR SEVEN WEEKS WITH NO IMMEDIATE PROSPECT OF REOPENING. EVEN BEFORE CLOSEDOWN PRODUCTION HAD ALREADY FALLEN TO MERE 2,000 CRATES/DAY.

2. WITH CLOSURE OF PLANT AND BEGINNING OF OFFICIAL INVESTIGATION BY ABU DHABI AUTHORITIES, PROMINENT AND WELL KNOWN MERCHANT, FARAJ BIN HAMOODAH, HAS EXPRESSED INTENSE INTEREST IN TAKING OVER PEPSI MANAGEMENT. HAMOODAH IS PONTIAC DISTRIBUTOR,
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GMC AGENT, HALLIBURTON AND REDA PUMP AGENT, MEMBER OF FEDERAL

NATIONAL ASSEMBLY, AND MEMBER, BOARD OF DIRECTORS, UAE DEVELOPMENT BANK. HE HAS RECENTLY FOUNDED HIS THIRD COMPANY, NATIONAL FOOD PRODUCTS, WHICH MARKETS FRESH MILK, YOGHURT, AND ICE CREAM THROUGHOUT UAE. HAMOODAH BELIEVES HE IN EXCELLENT POSITION TO ADD PEPSI BOTTLING OPERATION TO THIS NEW DAIRY OPERATION.

3. PRESENT PRINCIPAL OWNER OF PEPSI PLANT IS HAZZIM CHALABI, IRAQI NATIONAL AND DEPUTY DIRECTOR OF NATIONAL BANK OF ABU DHABI. MANAGER OF PLANT IS 65 YEAR OLD IRAQI WHO HAS APPARENTLY NOT BEEN VERY VIGOROUS IN MAINTAINING PEPSI ABU DHABI MARKET. LOCAL SOURCES SAY THAT IN ADDITION TO IMPROPER CLEANING AND STERILIZATION OF REUSABLE BOTTLES, CONTAMINATED WATER HAS BEEN USED, ADDITIVES IMPROPERLY STORED, SUGAR IMPROPERLY FILTRATED, AND IN GENERAL NO EFFORT MADE TO MAINTAIN QUALITY CONTROL.

4. PRESENT MANAGEMENT HAS PUBLICLY STATED THAT CLOSURE OF PLANT IS PART OF CABAL, I.E., EFFORT ON PART OF ABU DHABI NATIONALS TO OUST IRAQI OWNERSHIP. IT IS KNOWN THAT MANY LOCAL MERCHANTS, HAMOODAH AMONG THEM, ARE INCREASINGLY RESENTFUL OF FOREIGN OWNERSHIP OF LIMITED ABU DHABI PRODUCTIVE ENTERPRISES. WE DOUBT HOWEVER THAT CHARGES OF POTENTIALLY UNHEALTHY CONDITIONS ARE PURE FABRICATION. FROM PURELY PERSONAL OBSERVATION, IT CAN BE STATED THAT LOCAL PEPSI WAS INDEED A LOUSY PRODUCT.

5. WITHOUT KNOWING PEPSI'S AWARENESS OR INTEREST IN THIS CASE, EMBASSY HARD PUT TO GIVE HAMOODAH RATIONAL ANSWER. PRESUMABLY PEPSI COLA INC. GETS LICENSE AND ROYALTY FEES PLUS PROFIT ON SALE OF SYRUP. BUT LOCAL SALES HAVE BEEN FALLING FOR SOME TIME. PERHAPS WITH NEW MANAGEMENT, PEPSI CAN REGAIN LOST GROUND. QUESTION WILL SOON BE COMING TO HEAD SINCE NEWSPAPERS ARE CARRYING STORY THAT PEPSI PLANT WILL BE NATIONALIZED. TRADEMARK WILL NOT BE APPROPRIATED BUT PLANT ASSETS OF IRAQI OWNERS CERTAINLY WILL. IN EMBASSY VIEW, CARE OF GOVERNMENT MANAGEMENT OF BOTTLING OPERATION WORSE THAN PRESENT DISEASE. HAMOODAH READY TO BUY OUT PRESENT OWNERS WITH 80 PERCENT OF FUNDS PROVIDED BY UAE DEVELOPMENT BANK, REMAINDER FROM HIMSELF AND CONSORTIUM OF ABU DHABI MERCHANTS. WHAT THEY WAITING FOR IS SIGNAL FROM PEPSI HEADQUARTERS. REQUEST CAGNE CONTACT PEPSI COLA INC., CONVEY PROPOSAL TO MANAGE LIMITED OFFICIAL USE

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MENT AND INFORM EMBASSY OF RESPONSE.
STERNER

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